

**MINUTES OF THE MEEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS**

Date: March 25, 2004

The Board of Directors (the "Board") of the Department of Waterworks (the "Department") met at 5:30 p.m. at 200 East Washington Street, Indianapolis, Indiana in the Public Assembly Room of the City-County Building. The following Board members were in attendance: S. Michael Hudson, Samuel L. Odle, Carmen Hansen-Rivera, Beulah Coughenour and Barbara Howard.

I. Approval of the Minutes of the February 26, 2004 Meeting

Chairperson Coughenour (the "Chair") asked for a motion to approve the minutes of the meeting of the Board as of February 26, 2004, as set forth in Exhibit A, attached hereto and made a part hereof (the "Minutes").

A motion was made and seconded for approval of the Minutes. The Board unanimously approved the Minutes.

II. Financial Report of the Department

Robert Erney, Financial Manager of the Department presented the report as set forth in Exhibit B, attached hereto and made a part hereof (the "Financial Report").

The Chair opened for discussion matters related to the Financial Report.

Ms. Howard, the Vice Chairperson (the "Vice Chair") inquired about Women Business Enterprises ("WBE") participation and disbursements. Mr. Erney responded that there are presently no suppliers qualified as WBEs from which the Department has had a procurement need. Mr. Erney indicated that all eligible Minority Business Enterprises ("MBE") and WBEs are included under applicable bidding procedure and if a MBE or WBE is within 15% of the lowest bid, the contract will be awarded to the MBE or WBE respectively. The Vice Chair asked if any bids had been received from WBEs. Mr. Erney responded that he would review the bids to see if any certified WBEs had submitted bids. Ms. Hansen-Rivera inquired about the WBE certification/eligibility process. Mr. Erney explained that the WBE must be registered with the City as an approved vendor.

The Vice Chair inquired about accounts receivable and the percentage of "charge-offs" or amounts of "charge-offs." Mr. Erney indicated that the high amount of accounts receivable is due to the fact that, to date, there have been no "charge-offs". Mr. Erney indicated that in approximately sixty (60) days he would expect a large "charge-off" or "write-off" after the elapsed time at the collection agency was complete in accordance

with policy. Mr. Erney indicated that out of the \$4.2 million amount of accounts receivable, \$3.2 million has been sent to the collection agency.

The Chair requested any further questions from the Board related to the Financial Report. The Board did not have any further questions.

III. Veolia Water Indianapolis, LLC Report

Tim Hewitt of Veolia Water Indianapolis, LLC (“VWI”) issued his report as set forth in Exhibit C, attached hereto and made a part hereof (“VWI Report”).

The Chair requested any questions from the Board related to the VWI Report. The Board did not have any questions.

IV. Report of the Directors of Contracts and Operations of the Department

Mr. Curry presented his report as set forth in Exhibit D, attached hereto and made a part hereof.

The Chair inquired about the status of Plainfield water. Mr. Curry stated one of the developments served by water purchased from Plainfield experienced a pinkish tint to the water likely due to an elevated iron content. The primary water standards were not breached and the secondary water standards were only in breach for a day. The Department has requested samples be taken to determine the cause of the problem and to isolate the cause of the problem. A report related to the samples taken will be given to the Board at its next meeting. Mr. Odle asked if water safety or taste were impacted. Mr. Curry indicated that the water was safe and taste was only impacted if an individual had a taste aversion to iron.

Mr. Odle asked about the bankruptcy court’s decision related to Boone County Utilities and that decision’s impact on the Department. Mr. Kobi Wright, Special Assistant Corporation Counsel, noted that the bankruptcy court approved Whitestown’s plan to entirely purchase the assets of Boone County Utilities subject to the Department’s current contract with Boone County Utilities to purchase water from the Department (the “Boone County Contract”). Additionally, Mr. Wright noted that the Boone County Contract includes a “call” or “put” option whereby the Department could, in 2016, purchase the water assets of Boone County Utilities. Mr. Odle asked if Whitestown intended to operate Boone County Utilities. Mr. Curry indicated that Whitestown intended to operate the Boone County Utilities. Whitestown would need to connect to the Boone County Utilities system before the system could be operated as a single entity.

Mr. Odle inquired about water disinfection. Mr. Curry noted that it was the responsibility of the Department to disinfect the water. Mr. Curry indicated that the Department and VWI treat the water in a manner that disinfects the water and also addresses taste and odor issues. Mr. Curry reported that he expects federal authorities that regulate drinking water to promulgate new rules, standards and regulations related to disinfection as early

as the fourth quarter 2004. Mr. Curry indicated that the Department intends to comply with the new standards for disinfection and simultaneously address taste and odor concerns in a cost-effective manner.

Mr. Odle inquired about water conservation efforts and plans. Mr. Curry indicated that a conservation plan involving voluntary compliance could be devised at the Department level, but a mandatory conservation plan would have to be considered and approved by the governmental authorities within the Department's service area. Mr. Curry noted that in the inter-local agreements there is a provision that provides in case of a drought or reduction of water supply available to Marion County, the Department may accordingly reduce the water available for sale to the communities that are parties to the inter-local agreements. Mr. Odle indicated that conservation is a concern and a statement of policy from the Department and public education would be appropriate to evidence that the Department is a responsible steward of water resources. Mr. Curry indicated that during the summer of 2003, VWI anticipated an increase in demand for water resources and distributed a release to the media urging the public to voluntarily conserve water usage. Mr. Curry agreed that more should be done from a public policy statement and education standpoint. Mr. Odle indicated that he would like the Department, on an on going basis, to be more proactive in its conservation approach before a situation where VWI anticipates an increase in demand.

Mr. Hudson indicated that a preliminary draft of a conservation policy statement had been completed. Mr. Hudson asked that the policy statement be updated to reflect the conservation concerns.

The Chair inquired about conservation efforts in western states and mandatory compliance requirements. The Chair requested that sample ordinances be reviewed and an ordinance related to conservation be drafted by the Service Advisory Board to be passed simultaneously by all governmental jurisdictions impacted by the Department's service area. Mr. Curry indicated that the Department would review sample ordinances.

The Chair inquired about the acquisition of right-of-way in Westfield. Mr. Curry noted that the Fishers Town Council President asked that the relocation process be expedited and the Board complied with his request, however, the right-of-way has not yet been acquired by the Town of Fishers.

V. Resolution No. 12, 2004-Approval of an Appropriation of Additional Character 1 and Character 4 Funds of the 2004 Budget – Robert L. Erney, Financial Manager.

Mr. Erney summarized the resolution.

Mr. Odle asked if the \$44,000 of Character 1 funds included salary and benefits for the administrative assistant. Mr. Erney responded in the affirmative.

Mr. Hudson asked if the increase in Character 4 funds was contingent upon the sale of the bonds. Mr. Erney responded in the affirmative and noted that the bonds were sold.

The Chair noted that the increase in Character 1 funds was necessary to attract the most qualified candidate for the administrative assistant position.

Mr. Odle moved to adopt the resolution. The motion was seconded. Hearing no further discussion, the Chair called for a vote. The Board unanimously adopted the resolution.

VI. Resolution No. 13, 2004-Approval of Incentive Payments for Calendar Year 2003 - Carlton E. Curry, Director of Contracts and Operations.

Mr. Curry summarized the resolution.

A motion was made and seconded to adopt the resolution. The Board unanimously voted to adopt the resolution.

VII. Resolution No. 14, 2004-Approval of Capital Projects-Carlton E. Curry, Director of Contracts and Operations

Mr. Curry summarized the resolution.

Mr. Odle asked if the Capital Projects are in the 2004 Capital Plan. Mr. Curry responded in the affirmative.

A motion was made and seconded to adopt the resolution. The Board unanimously adopted the resolution.

XI. Other Business

The Chair noted that Mr. Wright was leaving his position as general counsel to the Department. Mr. Wright introduced Mr. Andrew Klineman as the new general counsel to the Department. The Chair noted Mr. Wright's excellent service to the Board and Department. Mr. Odle requested that a resolution be drafted for consideration at the April Board meeting and that the resolution should note Mr. Wright's service and the Board's appreciation.

Mr. Erney noted that the Indianapolis Bond Bank sold the 2004-A bonds on March 25, 2004 at an initial rate of 0.98% for the first 34-day auction period. The Chair asked for a summary memo related to the sale of the 2004-A bonds.

Robert Reed, President of Local 131 representing employees of VWI (the "Union"), spoke about his concern about benefits available for the employees of VWI and its negotiations with VWI about benefits. He indicated that a final offer was to be presented by VWI on March 26, 2004. He requested that the Board consider the Union's requests presented to VWI and the Union's desire that VWI employee benefits remain the same

under the new labor agreement. The Chair indicated that the Board would make an effort to stay apprised of developments related to the Union's negotiations with VWI, but that the Board did not have the authority to intervene into the negotiation between the Union and VWI.

Mr. Glenn Pratt discussed his appreciation of the Board's consideration of conservation efforts. Mr. Pratt indicated that conservation might avoid the need for new wells. Mr. Pratt noted public education could be effective in achieving the reduction of water usage. Mr. Pratt noted that the Board should consider a wellfield protection ordinance. Mr. Pratt requested that draft minutes be made available to the public on the web for review and comment. Mr. Pratt expressed his concern about algal growth and public education of the related environmental impact. Mr. Pratt discussed the environmental impact of fertilizers and related phosphorus run-off into the water system. The Chair indicated her appreciation of the environmental issues described and the importance of wellfield protection and noted that the Board should consider that issue in the future.

Mr. Carl Jordan, a VWI employee, expressed his concern about the Union's negotiation with VWI.

Mr. Roy Thomas, a retired Indianapolis Water Company employee, spoke about the need for VWI to continue to provide retired employees benefits consistent with past practice. The Chair noted the increase in costs associated with health insurance for all businesses.

Mr. Harry Wright, a VWI employee, expressed his concern about the Union's negotiation with VWI.

The meeting was adjourned at 6:35 p.m.

Approved this 21st day of April 2004.

Beulah Coughenour, Chairperson

Attest:

S. Michael Hudson,
Secretary-Treasurer